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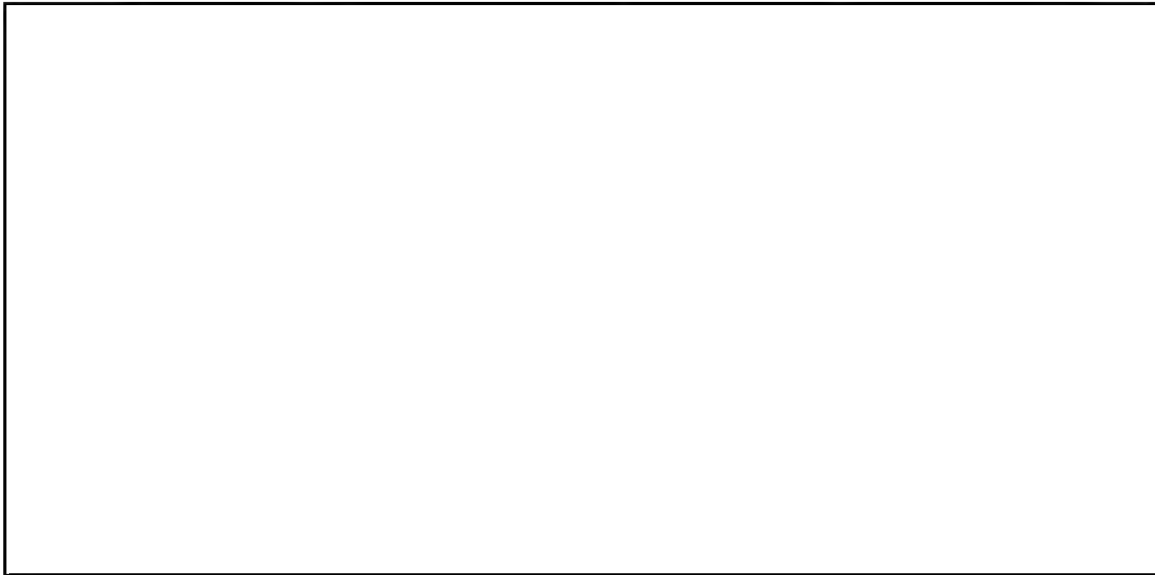
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5. INCREASING VIOLENCE ON YEMEN-ADEN BORDER LIKELY

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An increase can be expected in the armed violence which has been occurring since 24 December on the disputed Yemen-Aden Protectorate border. Public charges by the Yemen government that British air units have indiscriminately bombed Yemeni villages during the fighting have not, however, been confirmed.

The British on 29 December protested Yemen's dissemination of "misleading" information and stated that British-led ground forces had routed Yemeni raiders who crossed the border. The recent increase in tension in the area has been largely due to Egyptian and Soviet encouragement accompanied by the arrival of Soviet-bloc arms in Yemen as well as a continuing trickle of Saudi arms. The dispute between Britain and Yemen concerns the location of the border between the two territories, and arises partly from Yemen's belief that oil deposits may be discovered in the disputed area.

Britain's military strength at Aden appears adequate to withstand any Yemeni incursion. In addition to 1,900 ground forces, there are 15 jet fighters.

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**6. AFGHANISTAN MAY HOPE FOR SECURITY GUARANTEE
UNDER PROPOSED NEW US MIDDLE EAST POLICY**

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The unusual interest displayed by Afghan Foreign Ministry officials in whether or not Afghanistan is one of the countries to be covered by the proposed new American policy in the Middle East suggests that Kabul may hope to be given a security guarantee without having to acknowledge it formally.

Afghanistan requested American military assistance in 1954 and at that time even showed some willingness to consider association with a "northern tier" defense arrangement. Since large-scale Soviet aid started shortly thereafter, its official policy has been one of strict "neutrality."

Kabul's present interest may be inspired partially by the increasing pace of Soviet activity in Afghanistan and by recent Soviet actions in Hungary.

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8. SUMATRAN PROGOVERNMENT COMMANDER RECRUITING
LEFTIST LABORERS FOR MILITARY SERVICE

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Lt. Col. Machmour, pro-Djakarta commander of the Second Regiment in North Sumatra, is calling up rubber estate workers and labor leaders for military service, according to American sources there.

The American consulate at Medan believes Machmour, faced with the unreliability of his command, has decided to arm Communists and leftists against the possibility of popular action in support of the rebel commander, Colonel Simbolon.

Comment

Estate workers in the Siantar area, where this regiment is based, are members of a Communist-dominated labor federation. Machmour reportedly has been friendly with the local Communists; his use of them presumably has the approval of central government authorities in Medan and indicates their willingness to accept Communist support.

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Colonel Simbolon, who is in the Siantar area, may decide that the formation of an armed Communist force calls for early preventive action.

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9. PEIPING MAY SLOW INDUSTRIALIZATION

[redacted] has told the consulate general in Hong Kong that serious revisions are being made in China's Second Five-Year Plan (1958-1962). The revisions, which are to be presented to the central committee in February, are said to include lowering of the over-all rate of investment and the reduction of heavy industry's share of total investment in favor of agriculture. The benefits derived from the revisions are in large measure to be passed on to the Chinese peasant.

[redacted] concern in Peiping over mounting peasant dissatisfaction was an important factor in this decision; recent events in Eastern Europe also strongly influenced it.

The consulate general believes that these statements may generally reflect current thinking in Peiping.

The economic policies laid down by Peiping for the First Five-Year Plan--and projected for the second--enabled the nation to make impressive advances toward industrialization, and the general tone of official pronouncements from Peiping has been one of satisfaction with the way things were going. There have been, however, recent signs of concern over the rapid growth of heavy industry at the expense of light industry and better living standards, particularly for the farm population.

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10. BURMA TO REDUCE RICE EXPORTS TO SINO-SOVIET BLOC

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The Burmese government is reliably reported to have reached agreement with the USSR and other Communist countries with which Burma conducts barter trade for a substantial reduction

of rice exports to these countries during the current calendar year. According to reports reaching the American embassy in Rangoon, rice exports to the Sino-Soviet bloc in 1957 may total as little as 250,000 tons. The bulk of the reductions would apply to the USSR and the European Satellites, as Burma is said to be well satisfied with its trade relations with Communist China.

Under its reported new policy with respect to barter trade, Burma will ship only enough rice to countries with which it has barter agreements to pay for goods they can sell Burma in competition with other countries.

Comment

Such a rice export schedule would constitute a substantial disengagement on the part of Burma from its uneconomic and unpopular barter trade with the bloc. Exports to the bloc during the Burmese fiscal year ending 30 September approximated 500,000 tons.

Rangoon's change in policy has been engendered by greatly improved prospects for cash sales of rice.

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ANNEX

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Watch Report 335, 4 January 1956
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the
Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future.

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